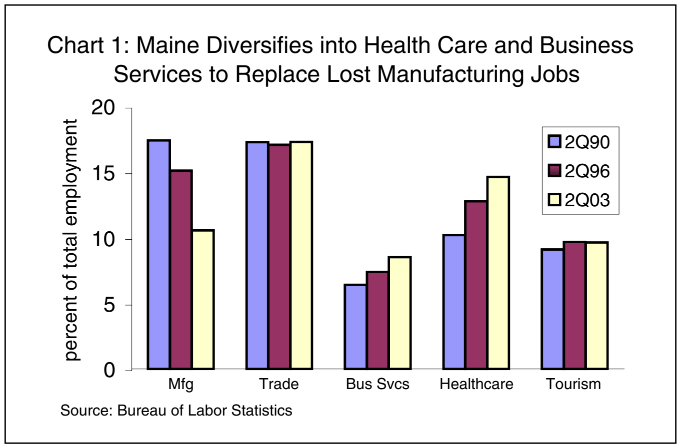
FDIC State Profile

FALL 2003

Maine

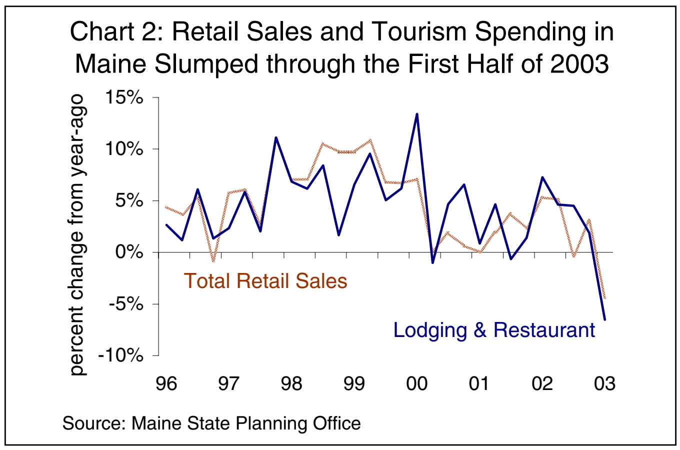
Diverse employment mix benefits Maine during downturns, but will likely constrain economic growth during expansion.

- Maine continues to shed manufacturing jobs and diversify its employment mix (see Chart 1). Dependence on health care and professional service jobs has increased as leather, paper, and textile manufacturing jobs have left the state.
- As the Maine economy is more reliant on health care and education than other New England states, the state was insulated from the wide swings associated with the recent boom/bust in IT markets.
- However, this, along with a higher cost of doing business than neighboring New Hampshire and weak labor market growth, is likely to hamper economic growth in Maine once the national economy expands.



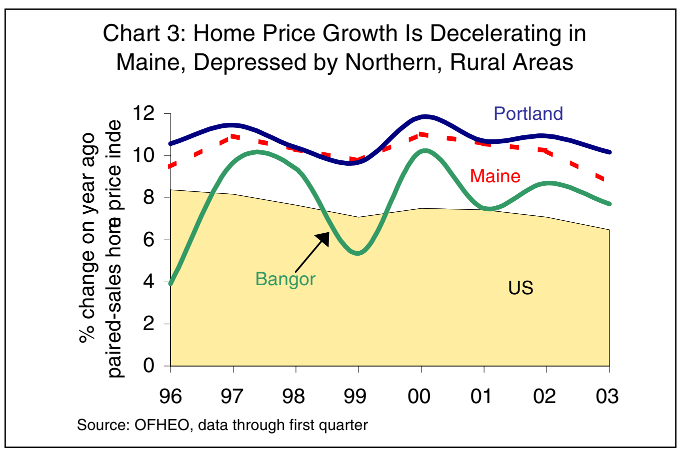
Slowdown in tourism spending has emerged in the first half of 2003.

- Despite stronger growth in the national economy during the second quarter, retail sales and tourism spending on restaurants and lodging have declined in Maine compared to one year ago (see Chart 2), particularly in the ***York*** area.
- Maine tends to attract drive-in tourism, similar to other northern New England states. Following the September 11 attacks, the tourism industry held steady as the state remained a destination for vacationing regional travelers. However, as the economy languished in 2002, leisure spending has slowly weakened.
- Continued weak economic conditions in the New England states will likely weigh on the state's tourism sector further until widespread regional growth occurs.



Despite slower activity, Maine housing markets show moderate growth.

- Maine's single-family home sales rose during the first half of the year, one of only two New England states to report increasing sales in 2003. The state's rate of home price appreciation continued to decelerate through the first quarter compared to one year earlier (see Chart 3).
- Though relatively unscathed by the recent national recession, only housing seems likely to provide strong support for Maine's economic growth over the near term, as the state lacks concentration in high-growth industries.



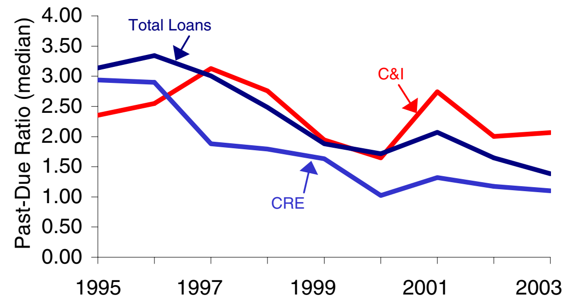
Maine's banks and thrifts still showing low levels of past due loans.

- Maine's insured institutions continue to report declining total past due loan levels from highs reached in the early 1990s. As of March 31, 2003, the median past due loan ratio was 1.38 percent, which is among historical lows (see Chart 4).
- As of March 31, 2003, past due commercial loans remained above 2 percent for the third year in a row. Of the major loan categories, commercial real estate showed some deterioration, with the median ratio of past due commercial real estate loans increasing to 1.35 percent from 1.18 percent in March 2002 in the state's commercial banks.

Interest-rate risk remains a concern for Maine institutions with increased concentrations of fixed-rate, long-term assets resulting from the recent refinancing waves.

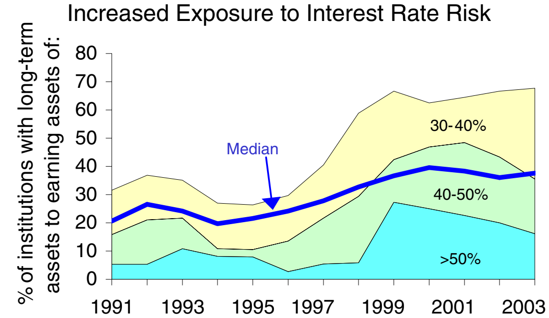
- The conventional 30-year mortgage rate has declined significantly over the past several years and has been below 6 percent since September 2002 until recently. Refinancing activity remained strong during the first half of 2003 but started to slow in July and August as mortgage interest rates began to rise. According to the Mortgage Bankers Association, 86 percent of the refinancing activity completed in the first seven months of 2003 was into fixed-rate products.
- During the late 1990s, asset maturities began to lengthen at many institutions. The ratio of long-term assets to earning assets continued to rise in the last year with 68 percent of Maine's insured institutions having long-term asset concentrations greater than 30 percent (see Chart 5). If the recent rise in mortgage rates is sustained, the average life of mortgage portfolios will extend and may result in an asset/liability repricing mismatch for some institutions. Net interest margin compression may occur when short-term interest rates increase as liabilities reprice at a faster rate than assets.

Chart 4: Past Due Loans in Maine Remain under Control



Source: Bank and Thrift Call Reports, data through 1st quarter 2003

Chart 5: Long-Term Asset Concentrations Are Still High in Many Institutions in Maine, Suggesting Increased Exposure to Interest Rate Risk



Source: Bank Call Reports, data through 1st quarter 2003

- The extension of asset maturities is pronounced in the state, as well as New England, reflecting the large percentage of thrifts and residential lenders. Savings institutions represent 58 percent of insured institutions in Maine, and residential real estate loans comprised almost 57 percent of the average thrift loan portfolio as of March 31, 2003.

Maine at a Glance

General Information	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Institutions (#)	40	39	41	43	44
Total Assets (in thousands)	39,104,949	32,418,975	15,246,342	16,168,177	15,351,850
New Institutions (# < 3 years)	1	0	0	0	0
New Institutions (# < 9 years)	2	1	2	3	4

Capital	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Tier 1 Leverage (median)	8.73	8.74	9.21	9.33	9.38

Asset Quality	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Past-Due and Nonaccrual (median %)	1.38%	1.64%	2.07%	1.72%	1.88%
Past-Due and Nonaccrual >= 5%	3	3	4	1	4
ALLL/Total Loans (median %)	1.18%	1.18%	1.11%	1.15%	1.25%
ALLL/Noncurrent Loans (median multiple)	1.72	1.48	1.24	1.73	1.51
Net Loan Losses/Loans (aggregate)	0.18%	0.29%	0.22%	0.21%	0.18%

Earnings	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Unprofitable Institutions (#)	2	0	1	0	0
Percent Unprofitable	5.00%	0.00%	2.44%	0.00%	0.00%
Return on Assets (median %)	0.95	0.78	0.82	0.77	0.97
25th Percentile	0.65	0.53	0.40	0.55	0.64
Net Interest Margin (median %)	3.96%	4.06%	3.99%	4.16%	4.01%
Yield on Earning Assets (median)	6.10%	6.90%	8.02%	7.80%	7.79%
Cost of Funding Earning Assets (median)	2.14%	2.80%	4.27%	3.92%	3.74%
Provisions to Avg. Assets (median)	0.11%	0.11%	0.12%	0.11%	0.13%
Noninterest Income to Avg. Assets (median)	0.62%	0.62%	0.55%	0.54%	0.52%
Overhead to Avg. Assets (median)	3.09%	3.10%	3.08%	3.15%	3.05%

Liquidity/Sensitivity	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
Loans to Deposits (median %)	95.85%	94.98%	96.53%	96.31%	90.05%
Loans to Assets (median %)	70.96%	70.53%	71.17%	71.15%	71.30%
Brokered Deposits (# of institutions)	12	11	8	9	9
Bro. Deps./Assets (median for above inst.)	3.73%	1.42%	2.55%	2.59%	3.35%
Noncore Funding to Assets (median)	22.51%	23.55%	21.70%	19.64%	15.24%
Core Funding to Assets (median)	65.54%	66.85%	67.00%	69.66%	71.74%

Bank Class	Mar-03	Mar-02	Mar-01	Mar-00	Mar-99
State Nonmember	8	7	7	7	8
National	6	6	6	5	5
State Member	3	2	2	3	3
S&L	7	7	7	7	7
Savings Bank	2	2	3	4	4
Mutually Insured	14	15	16	17	17

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	29	8,779,941	72.50%	22.45%
Portland ME	4	27,023,926	10.00%	69.11%
Lewiston-Auburn ME	4	1,187,584	10.00%	3.04%
Bangor ME	3	2,113,498	7.50%	5.40%